LCQ16: The Mandatory Provident Fund voluntary contribution regime

Following is a question by Hon Paul Tse and a written reply by the Secretary for Financial Services and the Treasury, Mr James Lau, in the Legislative Council today (April 17)

Question:

By offering tax concessions as an incentive, the Government implements the Mandatory Provident Fund (MPF) voluntary contribution regime. Yet, there are comments that the regime has much room for improvement. On enabling members of the public to effectively achieve tax savings and enhancing the attractiveness of the regime to members of the public, will the Government inform this Council:

(1) whether it will set up a department dedicated to providing services for MPF contributors (contributors), which will offer only exchange traded funds (e.g. index funds such as the Tracker Fund of Hong Kong (TraHK) and Hang Seng FTSE China 50 Index ETF) plus money market funds as investment options to contributors, so as to provide contributors with an MPF investment option which is relatively safe and charges low management fees; if so, of the details; if not, the reasons for that; and

(2) whether it will allow, subject to a tax deduction cap of $60,000, contributors to purchase by themselves from stock markets, without involving their MPF trustees, index funds (such as TraHK) which charge low management fees, and then inject such funds into their MPF schemes' accounts, so as to ameliorate the situation of management fees persistently nibbling away at contributions and to increase the incentive for making voluntary contributions?

Reply:

President,

(1) The Government considers that, instead of being managed by a Government department, the Mandatory Provident Fund (MPF) System should be managed and operated privately by the market.

We agree that scheme members should be offered investment options which are relatively safe and charge low management fees. As of February 2019, 29 MPF Constituent Funds (CF) are passively managed index-tracking funds (12 of which invest in the Tracker Fund of Hong Kong). The Fund Expense Ratios (FERs) of these CFs range between 0.71 per cent and 1.30 per cent.

In addition, the objective of the Default Investment Strategy (DIS) is precisely to offer an investment option which is relatively safe and charges low management fees. The DIS is subject to fee control which consists of two caps, namely a management fee cap of 0.75 per cent and a recurrent out-of-pocket expenses cap of 0.2 per cent. The Government has previously undertaken to review the fee cap levels within three years after the launch of the DIS, with a view to further lowering the fee caps. We expect to start discussions on the new fee caps next year.

The Mandatory Provident Fund Schemes Authority (MPFA) will continue to proactively encourage MPF trustees to make available more investment options which are relatively safe and charge low management fees to scheme members.

(2) MPF is a scheme whereby trustees pool small amounts of monthly contributions from individual scheme members together for investment. As compared to the small amount of monthly investments by individuals, this pooled investment model achieves a higher level of cost efficiency.

We understand Hon Tse's good intention in enhancing the cost efficiency of the MPF system. However, under Hon Tse's suggestion, scheme members may need to pay for a number of transaction fees to different financial institutions. They may also need to take up various administrative tasks on their own. This may go against the original intention of Hon Tse's proposal.

The MPFA has been requiring MPF trustees to regularly review the fee levels of their MPF products. Since the introduction of the FER in July 2007 and up to March 2019, the average FER of MPF funds has dropped from 2.06 per cent to 1.52 per cent. During this period, the DIS legislation was enacted in May 2016 and 138 MPF funds had reduced their fees.

Red flags hoisted at some beaches

Attention TV/radio announcers:

Please broadcast the following as soon as possible:

Here is an item of interest to swimmers.

The Leisure and Cultural Services Department announced today (April 17) that due to big waves, red flags have been hoisted at Shek O Beach and Big Wave Bay Beach in Southern District, Hong Kong Island, and Clear Water Bay Second Beach in Sai Kung District. Beach-goers are advised not to swim at these beaches.

Dennis Wu to host Journeys through Music Lecture Series on German composers

Versatile music practitioner Dennis Wu will return to host the second edition of "Journeys through Music Lecture Series: Into Germany" from May to July to explore the lives of seven great German composers. The new edition follows the positive response to the Journeys through Music Lecture Series instalments "Into Germany", "Into Eastern Europe", "Into Russia", "Into France" and "Into Austria". The series is presented by the Leisure and Cultural Services Department. Details are as follows:

May 15 (Wednesday)
Topic: Johann Sebastian Bach

May 22 (Wednesday)
Topic: Georg Friederich Händel

May 29 (Wednesday)
Topic: Ludwig van Beethoven

June 5 (Wednesday)
Topic: Carl Maria von Weber

June 12 and 19 (Wednesday)
Topic: Richard Wagner

June 26 (Wednesday)
Topic: Gustav Mahler

July 3 (Wednesday)
Topic: Richard Strauss

Dennis Wu is currently the Associate Marketing Director of the Hong Kong Arts Festival and an active music critic, composer and specialist on a wide range of projects and productions. He is also a radio programme producer and host for Radio Television Hong Kong as well as a frequent speaker at pre-concert talks, meet-the-artist panels and music criticism seminars. His writings are widely published in newspapers and magazines.

All lectures, to be conducted in Cantonese, will be held at 7.30pm in the Lecture Hall of the Hong Kong Space Museum. Tickets priced at $50 (for each lecture) are now available at URBTIX (www.urbtix.hk). For telephone credit card bookings, please call 2111 5999. For programme enquiries and concessionary schemes, please call 2268 7321 or visit www.lcsd.gov.hk/CE/CulturalService/Programme/en/music/programs_790.html.

Transport Department welcomes New Lantao Bus Company (1973) Limited’s opening up of real-time arrival data

The Transport Department (TD) today (April 17) reached an agreement with New Lantao Bus Company (1973) Limited (NLB) in opening up real-time arrival data of its bus routes.

NLB will release the real-time arrival data of all of its franchised bus routes in machine-readable formats via the Public Sector Information (PSI) Portal (data.gov.hk) managed by the Office of the Government Chief Information Officer for free use by the public and the industry. The TD will pro-actively coordinate with relevant departments to assist NLB in their preparation work on opening up their real-time arrival data. The data are expected to be available at the PSI Portal in the third quarter of this year.

Opening up data is an important government policy initiative to promote innovation and technology. NLB has been displaying real-time arrival information via the TD's mobile application "HKeMobility" to its users directly. Following New World First Bus Services Limited and Citybus Limited, NLB is the third public transport operator agreeing to open up real-time data via the PSI Portal for free use by the public in Hong Kong.

NLB's continued support for the Government's open data policy is recognised. The TD will continue to have discussions with other public transport operators such as railways and bus companies and appeal for their support to open up their real-time data as soon as possible to keep up with the prevailing trend of open data with a view to promoting smart city development and fostering "Smart Mobility".

Co-owners fined over $60,000 for not complying with removal order

Two co-owners of a premises in Hung Hom were fined over $60,000 for failing to comply with a removal order issued under the Buildings Ordinance (Cap 123) at Kowloon City Magistrates' Court early this month.

The order involved three illegal structures erected on a canopy and the flat roof of a domestic flat on the top floor of a composite building at Pak

Kung Street. The original area of the premises is about 39 square metres whereas the total size of the illegal structures is about 36 square metres. As the unauthorised building works (UBWs) were erected without prior approval from the Buildings Department (BD), contravening the Buildings Ordinance (BO), a removal order was served on the co-owners of the premises under section 24(1) of the BO.

As the owners failed to remove the UBWs upon the expiry of the removal order, they were prosecuted by the BD. They were convicted at the Kowloon City Magistrates' Courts on April 3 and fined $62,600 in total.

"UBWs may adversely affect the structural and fire safety of a building, leading to serious consequences. Owners should seek professional advice before carrying out any building works in their premises. The BD will continue its enforcement action against UBWs," a spokesman for the BD said today (April 17).

Pursuant to section 40(1BA) of the BO, any person who, without reasonable excuse, fails to comply with an order served on him under section 24(1) of the BO, commits an offence and is liable on conviction to a fine of $200,000 and to imprisonment for one year, as well as a further fine of $20,000 for each day that the offence has continued.